

AR79



**The EQUITABLE LIFE insurance company
OF CANADA**

Annual Report

1974

DIRECTORS

H. E. POWER*[†], F.C.I.S.
T. R. SUTTIE*, F.I.A., F.C.I.A.
W. J. McGIBBON*, Q.C.
W. H. TIMMIS*

Chairman of the Board
President
1st Vice-President
2nd Vice-President

J. C. BURT
W. D. GOODMAN, Q.C.
H. D. GREB*[†]
J. G. HAGEY, LL.D.

J. M. HARPER[†] Q.C.
H. S. MORTON, O.B.E., F.R.C.S.
J. E. MOTZ[†]
J. G. WEBER

* Member of Executive Committee

[†] Member of Audit Committee

HONORARY DIRECTORS

J. W. SCOTT

M. J. SMITH

C. N. WEBER

OFFICERS

T. R. SUTTIE, F.I.A., F.C.I.A.
G. R. BLAKE, F.L.M.I.
D. L. MacLEOD
H. I. McINTOSH, F.S.A., F.C.I.A.
R. A. SAUNDERS, F.S.A., F.C.I.A.
W. H. WAHL, F.C.I.S., F.L.M.I.

President
Vice-President and Treasurer
Vice-President, Marketing
Vice-President and Actuary
Vice-President and Comptroller
Vice-President and Secretary

G. L. BRUNT, C.L.U.
B. V. DOUTHWAITE
L. J. HAMEL, F.L.M.I.
G. J. MELNIK, F.S.A., F.C.I.A.
D. J. MULLIGAN
R. NOBLE, A.A.C.I.
W. H. PUGH, F.L.M.I.
D. C. RAMSAY, F.L.M.I.
D. G. SEEBACH, F.L.M.I.

Regional Sales Director
Regional Sales Director
Investment Administrative Officer
Group Actuary
Employee Benefit Plans Sales Director
Assistant Treasurer, Property Investments
Assistant Secretary
Systems and Planning Officer
Marketing Services Director

McGIBBON, HARPER & HANEY
P. G. SCHWAGER, M.D.

Solicitors
Medical Director

DIRECTORS' REPORT

TO THE POLICYOWNERS OF THE EQUITABLE LIFE INSURANCE COMPANY OF CANADA

NEW BUSINESS — New records were again established in the volume of business written. The total of \$195,494,446 exceeded that for the previous year by 41%. Included in this total were individual life insurance sales of \$93,270,982, an increase of 39%; individual annuity sales of \$31,699,863, an increase of 5%; group sales of \$70,523,601, an increase of 72%. These new writings, together with increases in existing groups, brought the business in force to \$2,000,301,346.

PREMIUM INCOME — At \$19,585,236 the premium income exceeded that for the previous year by 14%.

POLICY RESERVES — These were calculated on the same basis as last year, except for non-participating business written prior to 1942 and participating business written in the years 1949 - 1957. In view of the low interest rates obtainable on new investments in the 1940's and early 1950's it was considered prudent at that time to calculate the valuation reserves for this business at an interest rate lower than that upon which the cash values were based. Interest rates have risen dramatically since that time and it is no longer appropriate to use this reduced rate of interest. This business has therefore been revalued at interest rates ranging from 3% to 4½%, bringing them into line with our general practice of valuing individual life insurance policies at rates of interest corresponding to those upon which the cash values are based. The revaluation reduced the actuarial reserves by \$1,298,889. The Investment Reserve has been increased by an equal amount.

The 1973 Policy Reserves included Unallocated Actuarial Reserves of \$242,113. This amount has been transferred to the Mortality Fluctuation Reserves which have been increased from the amount of \$486,872 included in the 1973 Policy Reserves to \$728,985.

ASSETS — In 1974 interest rates rose to an historic high. As new funds became available they were invested at these exceptionally high rates; the average yield to maturity of bonds purchased throughout the year exceeded 10%. This high rate will benefit participating policyowners in future years. However it had the immediate effect of reducing the current market value of bonds purchased by the Company in earlier years when interest rates were lower, despite the fact that the income from such bonds and their maturity values are not affected in any way. As a result, the book values of bonds and stocks as shown in the assets exceeded the maximum values allowed by the Canadian and British Insurance Companies Act by approximately \$1,315,000 using the averaging formula in Section 71(4) of the Act, or by approximately \$3,700,000 if this formula had not been used. Against this the Company carries an Investment Reserve in excess of \$4,400,000.

DIRECTORS — Mr. C. N. Weber, who would have been ineligible for re-election at the Annual Meeting on February 3, 1975 because of the age limit imposed by the Canadian and British Insurance Companies Act, submitted his resignation at the December 1974 meeting of the Board of Directors. Mr. Weber was first elected to the Board in 1945 and was elected 2nd Vice-President in 1966; his long experience and wise counsel will be greatly missed. His continuing interest in the welfare of the Company was recognized by his election as an Honorary Director.

Mr. W. H. Timmis was elected 2nd Vice-President and Mr. J. G. Weber was elected to fill the vacancy on the Board.

STAFF — The Directors again wish to record their sincere appreciation to the Head Office and Field Staffs. The record increases in New Business are an indication of the skill and knowledge of the Field Force, while the efficient handling of the substantially greater volume of business reflects credit on each member of the Head Office staff.

On behalf of the Board

H. E. POWER, *Chairman of the Board*
T. R. SUTTIE, *President*

OUR PROGRESS AT A GLANCE

	1974	1973	1964
New Business —			
Life and Annuity	\$ 195,494,446	\$ 138,340,514	\$ 48,221,039
Business in Force —			
Life and Annuity	2,000,301,346	1,652,345,834	500,372,585
Income	25,964,704	23,507,866	9,092,289
Assets	110,290,498	100,501,005	51,409,909
Benefit Payments	10,841,946	9,199,690	3,801,874
Investment Reserve and Unassigned Surplus	9,450,160	8,108,510	3,343,640
Dividends to Policyowners	1,742,226	1,476,114	641,432
Earned Interest Rate	7.24%	7.09%	5.76%
<i>(Net of investment expenses, but before investment income tax)</i>			

*The Equitable Life of Canada is a mutual company
owned entirely by its participating policyowners.*

AUDITORS' REPORT TO THE POLICYOWNERS

We have examined the statement of assets, liabilities and surplus of The Equitable Life Insurance Company of Canada as at December 31, 1974, and the summary of operations for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the policy reserves were determined and certified by the Company's actuary.

In our opinion, based on our examination and the certificate of the Company's actuary, the accompanying statement of assets, liabilities and surplus and the related summary of operations present fairly the financial position of the Company as at December 31, 1974, and the results of its operations for the year ended on that date in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Waterloo, Ontario
January 22nd, 1975.

CLARKSON, GORDON & CO.,
Chartered Accountants

ACTUARY'S CERTIFICATE

The Policy Reserves of \$88,663,754 shown in the statement of assets, liabilities and surplus at December 31, 1974, are in excess of the reserves required by Section 82 of the Canadian and British Insurance Companies Act, and, in my opinion, make a good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies, and the additions to policy reserves of \$5,986,668 shown on the accompanying statement of operations are a proper charge to operations for the year ended December 31, 1974.

January 20th, 1975.

H. I. McINTOSH, F.S.A., F.C.I.A.,
Vice-President and Actuary

SUMMARY OF OPERATIONS

THE SOURCES OF INCOME WERE:	FOR YEAR ENDED DECEMBER 31	
	1974	1973
Premiums:		FOR COMPARISON
Insurance	\$12,752,700	\$10,805,516
Annuity	2,967,174	4,206,849
Health	1,905,645	1,168,400
Segregated Funds	1,959,717	1,011,665
	<u>19,585,236</u>	<u>17,192,430</u>
Earnings from investments after investment expenses	7,059,689	6,287,624
Changes in Values of Units in Segregated Funds .	(680,221)	27,812
	<u>25,964,704</u>	<u>23,507,866</u>
THIS INCOME WAS USED FOR:		
Payments to policyowners and beneficiaries:		
Death and Disability benefits	3,710,245	3,855,513
Matured endowments and cash values . . .	2,473,064	1,928,017
Annuity and settlement option payments . .	926,430	830,375
Interest on policyowners' funds	171,921	126,924
Health Insurance benefits	1,635,825	867,548
Benefits paid from Segregated Funds . . .	182,235	115,199
Additions to policy reserves to provide for future payments	5,986,668†	7,643,850
Increase in Segregated Funds	1,097,261	924,278
Operating expenses:		
Compensation for sales and field service to policyowners	2,606,385	2,100,438
Service to policyowners at Head Office and branches	3,150,314	2,722,833
Investment income tax, premium and municipal taxes and licence fees	339,523	479,059
	<u>22,279,871</u>	<u>21,594,034</u>
Net adjustment in asset values	64,457	(290,695)
Dividends to policyowners in year	1,742,226	1,476,114
Increase in provision for next year's dividends to policyowners	241,500	298,000
Income tax on earnings	295,000	85,000
Increase in Investment Reserve	1,298,889†	200,000
Increase in Unassigned Surplus	42,761	145,413
	<u>\$25,964,704</u>	<u>\$23,507,866</u>

† See comments in Directors' Report regarding "Policy Reserves" and "Assets".

STATEMENT OF - ASSETS

THE COMPANY HAS THESE ASSETS TO MEET ITS OBLIGATIONS TO POLICYOWNERS:	AT DECEMBER 31	
	1974	1973
	FOR COMPARISON	
BONDS	\$ 28,976,961	\$ 27,540,522
STOCKS	4,108,375	3,198,962
MORTGAGES	60,544,837	55,524,915
REAL ESTATE Head Office, income producing property less mortgage indebtedness and investment in and loans to real estate subsidiary.	3,062,920	2,319,683
LOANS TO POLICYOWNERS Fully secured by the cash value of policies of this Company.	7,418,680	5,829,819
CASH	314,615	1,260,154
PREMIUMS IN COURSE OF COLLECTION . Fully secured by policy reserves.	1,045,922	829,657
INTEREST ACCRUED Interest from last payment date to December 31	1,167,583	989,499
SEGREGATED INVESTMENT FUNDS . . . Market value of the investments held in the funds	3,616,455	2,519,194
OTHER ASSETS	34,150	488,600
<i>Bonds and stocks are shown at amortized cost and cost respectively, less certain write-downs, but, in the aggregate, exceed the maximum values allowed by the Canadian and British Insurance Companies Act by approximately \$1,315,000 against which the Company carries an investment reserve of \$4,447,840.</i>		
	<u>\$110,290,498</u>	<u>\$100,501,005</u>

H. E. POWER, *Chairman of the Board*

- LIABILITIES AND SURPLUS

THE OBLIGATIONS OF THE COMPANY ARE:

AT DECEMBER 31

1974

1973

FOR COMPARISON

POLICY RESERVES	\$ 88,663,754	\$ 82,677,086
This amount, with future premiums and interest earnings, provides for the payment of the benefits guaranteed by the Company's policies		
POLICYOWNERS' FUNDS	4,077,624	3,636,449
Policy proceeds left on deposit, dividends left to accumulate, policy benefits in process of payment, premiums received in advance and other policy-owners' funds		
POLICYOWNERS' DIVIDENDS	2,134,500	1,893,000
Provision for dividends payable in 1975		
RESERVE FOR UNREPORTED CLAIMS . .	1,205,536	929,965
An estimate of claims which may have occurred but have not yet been reported to the Company		
TAXES AND EXPENSES DUE AND ACCRUED	492,609	277,983
The largest item is the balance of premium tax payable for the year.		
SEGREGATED INVESTMENT FUNDS . . .	3,616,455	2,519,194
Contracts under which the benefits are determined by the market value of the securities, the obligation therefore being equal to the market value as carried in the assets		
OTHER LIABILITIES	649,860	458,818
Includes mortgagors' tax prepayments		
Total obligations	<u>100,840,338</u>	<u>92,392,495</u>
INVESTMENT RESERVE	4,447,840	3,148,951
Protection against fluctuation in the value of the assets		
UNASSIGNED SURPLUS	5,002,320	4,959,559
This provides additional security for policyowners and their beneficiaries and additional earning power for policyowners' dividends in future years		
	<u>\$110,290,498</u>	<u>\$100,501,005</u>

T. R. SUTTIE, *President*

BRANCH OFFICES

Branch Manager

CALGARY

R. A. RAMSDEN, C.L.U.

EDMONTON

D. M. LILLYCROP, C.L.U.

W. A. SMITH, *Asst. Mgr.*

HAMILTON

T. E. GOODING

KITCHENER

P. A. S. LYON

LONDON

H. J. ROSE

W. C. WOODMAN, *Asst. Mgr.*

MONTREAL

J. G. LAVOIE

OSHAWA

K. H. QUINN

OTTAWA

N. E. LEGGETT, C.L.U.

REGINA

J. J. McGEADY

ST. CATHARINES

S. B. KELLY, C.L.U.

P. W. ENGS, C.L.U., *Assoc. Mgr.*

Group Office

CALGARY

F. H. SCHNEIDER

Branch Manager

TORONTO

2805 York Centre

145 King St. W.

J. I. HENDERSON, L.L.B.

Suite 901 — 94 Cumberland Ave.

I. DRUTZ, C.L.U.

302-600 The East Mall, Islington

A. MEARNS

VANCOUVER

1055 West Hastings Street

K. O. HOPKINSON

777 Hornby Street

R. K. PETRIE, C.L.U.

VICTORIA

NORTHWESTERN INSURANCE
AGENCIES LTD.

WATERLOO

E. F. GOMAN, C.L.U.

WINDSOR

R. D. LOVELL, JR.

WINNIPEG

P. S. TAYLOR, C.A., C.L.U.

R. J. FACIA, *Asst. Mgr.*

Group Office

WATERLOO

D. J. MULLIGAN

MORTGAGE LOAN OFFICES

LONDON

A. E. ELMSLIE, A.A.C.I.

Manager

OTTAWA

R. W. HILL

Manager

TORONTO

W. KOMPA, S.R.A.

Representative

WATERLOO

R. NOBLE, A.A.C.I.

Manager



The **EQUITABLE LIFE** insurance company
OF CANADA

HEAD OFFICE - WATERLOO, ONTARIO